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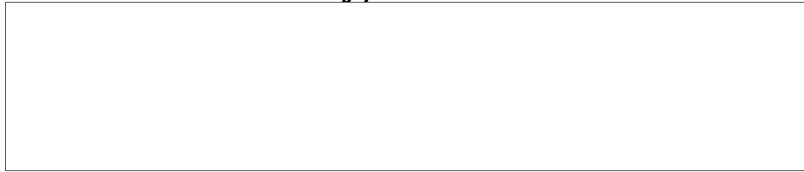
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Mexico: Outlook for the Salinas Administration

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National Intelligence Estimate

Key Judgments

These Key Judgments represent the views of the Director of Central Intelligence with the advice and assistance of the US Intelligence Community.

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NIE 81-89W
May 1989

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The following intelligence organizations participated in the preparation of these Key Judgments:

The Central Intelligence Agency

The Defense Intelligence Agency

The National Security Agency

The Bureau of Intelligence and Research,
Department of State

The Office of Intelligence Support,
Department of the Treasury

also participating:

The Deputy Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

The Director of Intelligence, Headquarters, Marine Corps

The National Foreign Intelligence Board concurs, except as noted in the text.

The full text of this Estimate is being published separately with regular distribution.

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Key Judgments

We believe that the odds (80 percent) substantially favor the achievement by the administration of Carlos Salinas de Gortari of enough of its objectives to maintain the initiative, preserve stability, and ensure a high degree of political continuity through the midterm election in September 1991, the period treated in this Estimate. We judge, nevertheless, that there is about a 20-percent chance that Mexico will experience sharply deteriorated economic conditions, militant labor agitation, or drug-related instability that would risk widespread violence.

The durable political system retains considerable strength, legitimacy, and resiliency. It has a monopoly of coercive power [redacted]

[redacted] and is reinforced by important cultural and historical underlying forces. No other party or political coalition will match the capabilities and national reach of the long-dominant Institutional Revolutionary Party (PRI), and Salinas and young reformers in his entourage will probably succeed in their efforts to make it even more competitive—or make the opposition less competitive.

If the Mexicans this year achieve their goal of a debt package of at least \$4 billion, including significant debt reduction, and absent adverse trends in oil prices, US growth, and interest rates, we project growth of about 3 to 4 percent in 1990.¹ In the absence of such a debt package, growth would be unlikely to exceed 2 percent, and the odds will be high that Salinas will make good on his repeated warnings and unilaterally stop or sharply reduce debt payments.

Salinas's Priorities

- His overriding goal is to restructure the economy—making it more receptive to international market forces and investment, reducing the size and role of the public sector, and encouraging private initiative—to provide impetus for diversification and sustained growth.

¹ The Department of the Treasury wishes to underscore that the connection between Mexico's debt negotiations and economic growth is complex and indirect. A debt deal could increase investor confidence, promote investment, and lead to economic growth; however, anti-inflationary policies, domestic interest rates, and oil prices will also continue to be key determinants in Mexican economic growth.

- He also places a high priority on reaffirming the presidency as the linchpin of the political system. He has campaigned against crime and corruption and has moved to reduce the power of entrenched labor chieftains. As a result of these and other actions, he has gained popular support and undermined the appeal and effectiveness of opposition parties.
- Although he has promised to decentralize and democratize Mexico's authoritarian system, he places a higher priority on preserving the PRI's dominance and will go slow on enacting reforms to liberalize the political process, conceding no strategically important opposition election victories.

Mexico and the United States

Unlike his recent predecessors, Salinas believes that expanded relations with the United States are both inevitable and desirable. He seeks closer ties and special treatment and will skillfully take advantage of US interests in having a politically and economically stable neighbor on our southern border.

He will seek to avoid or minimize differences on bilateral and international issues, and will be likely to avoid stridently nationalistic or confrontational policies. But he will also be faithful to the demands of Mexican nationalism and will have no choice but to occasionally employ sharp rhetoric and take positions that will conflict with US policies.

Although Salinas is approaching the narcotics problem pragmatically, contentious bilateral problems related to Mexican antidrug performance are likely to continue to affect relations adversely. There is broad agreement in Mexico that certain US counternarcotics programs infringe on Mexican sovereignty and that the US Congressional certification process is particularly demeaning. If Mexico were decertified, we believe Salinas would have the support of the bulk of the population in reacting harshly.

Guided by an overriding concern with internal problems, Salinas is committed to steering Mexico toward a less activist, pragmatic foreign policy. He will play a less assertive role in Central America, at the UN, in other international forums, and as a spokesman for Third World causes. He will probably maintain relations with Cuba and the USSR at about the same levels as in recent years. We believe the latter will eschew subversive activities against the Salinas government.

The Political Outlook

The election in July for the control of the state legislature in Michoacan will probably be a crucial test of Cuauhtemoc Cardenas's chances for constructing a viable leftist-populist alternative to the PRI. If [redacted] election were held now, Cardenas's candidates would probably win control of the legislature—something no opposition party has ever accomplished. The PRI is devoting large-scale resources to prevent such an outcome. [redacted]

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Salinas will probably confront tough challenges in managing relations with organized labor. Their grievances have been steadily mounting since 1982, and Salinas's modernization program relies to some extent on reducing the unions' entrenched interests. As he pursues that goal, his administration is likely to be the target of spontaneous labor agitation.

If labor, student, or other violence were to occur on a scale large enough to exceed the capabilities of the civilian security forces, the traditionally apolitical military would be able to maintain or restore order under virtually all circumstances likely to develop during the time period of this Estimate.

Even though we believe Salinas is likely to preserve the PRI's dominance, pent-up pressures and accumulated hardships have created an environment with the potential for increased social unrest and violence. We do not expect these outbreaks to be regime threatening during the period of this Estimate, but the degree to which Salinas's program achieves positive results—most critically in the economic sphere—will be the major factor in mitigating the severity of such disturbances. Should one or more of the key economic variables go wrong (such as a US recession or a drop in oil prices), political pressures for expansionary, populist policies will increase.

Alternate Outlook

Given the large number of economic and political variables involved, and the exceptional pressures on the political system, there are combinations of developments that we estimate have a 20-percent likelihood that could provoke a crisis during the time period of the Estimate. Severe economic setbacks, for example, could cause more widespread unrest. Incidents in which substantial numbers of civilians were killed by military or security forces would damage the government's legitimacy and could create an

increasingly polarized cycle of violence. Such a situation would be likely to generate ruptures within the PRI, which would face the dilemma of losing its congressional majority or resorting to blatant fraud that would spark even greater protest.

In the most extreme case, we would judge the chances of domestic unrest escalating to the point of threatening the government's hold on power at less than 5 percent during the next three years and no more than 10 percent for the remainder of Salinas's term. In such a contingency, the military would probably press for a larger role in national decisionmaking, but we would expect Salinas to exercise his already-demonstrated decisiveness in responding to such a threat.

A unilateral move by the military to intervene would be contemplated only in the extremely unlikely event that collapse of the political system was imminent. The ensuing regime would probably seek to maintain close relations with the United States. We believe, therefore, that even under such a worst case scenario the extreme left would be unable to win power. Nevertheless, US interests would have been adversely affected by the initial instability and turmoil that would, for example, have accelerated emigration to a flood, allowed drug trafficking to worsen, and resulted in a contraction in bilateral trade.



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